

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5605-01
Bill No.: HB 2544
Subject: Political Subdivisions: Agreements, Fees
Type: Original
Date: April 21, 2008

Bill Summary: Prohibits political subdivisions from charging fees for services provided to other political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Clean Water State Revolving	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Drinking Water State Revolving	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Social Services** assume no fiscal impact.

Officials of the **Department of Mental Health** assume no fiscal impact.

Officials of the **Department of Conservation** assume no fiscal impact.

Officials of the **Department of Economic Development** assume no fiscal impact.

Officials of the **Department of Natural Resources** stated that without a clear definition of "services provided", the department assumes that water and wastewater are included. It is not feasible for these services to be provided free of charge.

Officials stated that this proposal would have impact on many communities that buy and sell water and wastewater services from each other. The U.S. Environmental Protection Agency (EPA) grants the "seed money" for these funds to the department, which in turn distributes the money as low-interest loans to communities that need assistance to complete their projects. Loans are made based upon a community's demonstration of the environmental need and financial capability to repay the loan. Since some communities receive loans and provide services for fees to neighboring communities, the community receiving the loan may not be able to repay their low-interest loans if the charges for their services to their neighboring communities are paid.

Certainly, a good portion of the revenue derived from these services goes to pay debt service on loans that were necessary to construct plants and collection/distribution lines in order to provide the services. Loan repayments may be impacted, which would in turn impact the budget.

Since 1989, Missouri's State Revolving Fund has provided more than \$1.8 billion dollars to more than 300 of our communities for wastewater treatment and drinking water facilities. The loans are set on a 20 year repayment schedule. As a result of the repayment schedule, the majority of these loans are active.

ASSUMPTION (continued)

EPA has significant interest in this matter as a substantial portion of the funding for grants and loans is derived from federal sources, and any problems resulting from changes in grant performance or loan repayment may rise to the level of EPA in ensuring these programs can be properly implemented.

Listed below are the outstanding amounts of Clean Water State Revolving Fund (CWSRF) loans and the Drinking Water State Revolving Fund (DWSRF) loans. Some of these may be impacted by a community's ability to collect fees for services from other political subdivisions.

Total CWSRF loans outstanding - \$1,391,331,779

Total CWSRF loans to interconnected systems - \$872,210,280

Total CWSRF loans to political subdivisions that receive wastewater from other systems \$754,172,280.

Total DWSRF loans outstanding loan - \$244,093,000.

Collectively, there are loans outstanding that total \$1,635,424,779.

Officials of the **Environmental Improvement and Energy Resources Authority (EIERA)** assume this proposal could jeopardize the ability of any political subdivision to do business with any other political subdivision. For example, cities could not record deeds, county courthouses located within a city that provides electric service to its citizens could not pay for power and the state could not lease spaces in a city parking garage without specific statutory authorization to do so.

Officials stated that many political subdivisions have contractual relationships with other political subdivisions for the provision of water or sewer services. To act cooperatively in these efforts is often the most cost effective manner to provide these services and be protective of human health and the environment. At the end of existing contracts, this legislation would preclude the majority of those contracts from being renewed. The result would require some political subdivisions to build water or sewer facilities; other entities would have excess capacity sitting idle. It is likely that the result for both types of entities would be dramatically increased cost of water or sewer services to its customers.

ASSUMPTION (continued)

It is also likely that litigation would result to determine the status of existing contracts. The fiscal impact of such litigation is unknown. Should it be determined that payments are no longer due under those contracts, expected revenues would not be received. As a result, political subdivisions might not have sufficient funds to make bond payments and would default on those bonds. Bondholders would not get paid. The defaulting political subdivision would have limited access to the debt market in the future due to the default and if debt were issued, it would be at a significantly higher interest rate than without a default.

If such defaulting political subdivision borrowed funds through the SRF any default has the potential to impact the interest rate of all future borrowers in the program statewide. To date, the SRF has had no borrower defaults which allows the program to offer the lowest infrastructure borrowing cost in the state. If defaults were to occur, it is likely that future bondholders will demand a higher interest rate and the cost of borrowing would increase statewide.

Officials of the **City of Centralia** assume contractual services are not covered by this proposal and assume no fiscal impact.

Officials of the **Clinton County Commission** assume there could be losses to political subdivisions. Officials did not offer any further explanation.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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**CLEAN WATER STATE
REVOLVING FUND (CWSRF)**

Loss - To DNR

From political subdivisions being unable
to repay loans.

<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
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**ESTIMATED NET EFFECT TO
CLEAN WATER STATE
REVOLVING FUND**

<u><u>\$0 to</u></u> <u><u>(Unknown)</u></u>	<u><u>\$0 to</u></u> <u><u>(Unknown)</u></u>	<u><u>\$0 to</u></u> <u><u>(Unknown)</u></u>
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FISCAL IMPACT - State Government
 (continued)

FY 2009
 (10 Mo.)

FY 2010

FY 2011

**DRINKING WATER STATE
 REVOLVING FUND**

Loss - To DNR

From political subdivisions being unable
 to repay loans.

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

**ESTIMATED NET EFFECT TO
 STATE DRINKING WATER
 REVOLVING FUND**

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

FISCAL IMPACT - Local Government

FY 2009
 (10 Mo.)

FY 2010

FY 2011

**LOCAL GOVERNMENT - CITIES,
 COUNTIES, SEWER DISTRICTS,
 WATER DISTRICTS**

Loss - To Certain Political Subdivisions
 From inability to collect on services, loss
 of grants and low interest loans from
 federal and state government for
 environmental projects, sewer and water
 projects.

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

**ESTIMATED NET EFFECT TO
 LOCAL GOVERNMENT**

\$0 to
(Unknown)

\$0 to
(Unknown)

\$0 to
(Unknown)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill prohibits a political subdivision from imposing a service charge or fee upon another political subdivision except as otherwise specifically authorized by statute.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Social Services
Department of Mental Health
Department of Conservation
Department of Economic Development
Environmental Improvement and Energy Resources Authority
City of Centralia
Clinton County Commission

NOT RESPONDING

Cities of :

Belton
Bridgeton
Raytown
Independence
Liberty
Maryland Heights
Kansas City Manager's Office
St. Louis City
Florissant
Springfield
West Plains
Poplar Bluff
Cape Girardeau

NOT RESPONDING (continued)

Columbia
Grandview
Harrisonville
Joplin
Louisiana
Pacific
Rolla
St. Charles
St. Joseph
Warrenton
Webb City

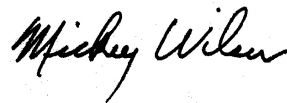
Counties of :

Boone
Callaway
Cass
Clay
Cole
Cooper
Franklin
Lafayette
Laclede
Lawrence
Lincoln
Miller
Nodaway
Ozark
Perry
Platte
Pulaski
St. Charles
Taney
Texas
Warren

NOT RESPONDING (continued)

Fire Protection Districts of :

Boone County Fire Protection District
St. Louis Central County Fire and Rescue
Creve Coeur Fire Protection District
Desoto Fire Protection District
Eureka Fire Protection District
Hawk Point Fire Protection District
Hillsboro Fire Protection District
Nixa Fire Protection District
Boone County Regional Sewer District
Cole County Public Water District No. 4
Franklin County Public Water District
Little Blue Valley Sewer District
Public Water District No. 3
Pulaski County Sewer District
St. Louis Metropolitan Sewer District
St. Charles County Public Water District No. 2
Timber Creek Sewer District



Mickey Wilson, CPA
Director
April 21, 2008